

**WEGO 威高**

CONSCIENCE | INTEGRITY | LOYALTY

The Leading Total Solutions Provider in the PRC Medical Devices Sector

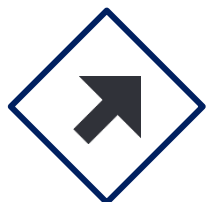


# Investor Presentation

2019 Interim Results

August 2019

# Highlights



**Revenue growth:** For the 6 months ended 30 June 2019, we continued to record strong top-line growth, with revenues increasing 19.1% y-o-y to RMB4,943m

- Excluding Argon, our revenues increased 19.2% y-o-y to RMB4,238m
- Our pharma packaging (+32.3% y-o-y) and orthopedics (+30.3% y-o-y) segments in particular recorded strong results, while we continued to maintain our leading position in the clinical care segment (+10.5% y-o-y) in 1H2019



**Strong performance from Argon:** Argon has continued to perform positively a full year after the completion of the acquisition, recording total revenues and EBITDA of RMB705m and RMB262m for 1H2019, representing a 19% and 10% increase y-o-y<sup>1</sup> respectively



**Continued increase in profitability and returns to shareholders:** Our net income attributable to owners of the Company grew 44.2% in 1H2019 (23.0% y-o-y when excluding extraordinary items incurred in 1H2018<sup>2</sup>) in 1H2019, with net income growth outpacing revenues in part due to an increase in gross margins from our continued efforts to upgrade our product mix

- For 1H2019, we have announced a total dividend of 5.9 cents, representing a 20.4% increase to 1H2018 and continuing to fulfill our commitment to a provide our shareholders with consistent returns

Notes:

1. Compared with Argon's results from 23 January 2018 (date of consolidation) to 30 June 2018
2. Extraordinary items incurred in 1H2018 include fair value appreciation of Argon's inventory and an one-off transaction expenses associated with the acquisition of Argon

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Section 1

# 1H2019 Financial Results

# Results Summary



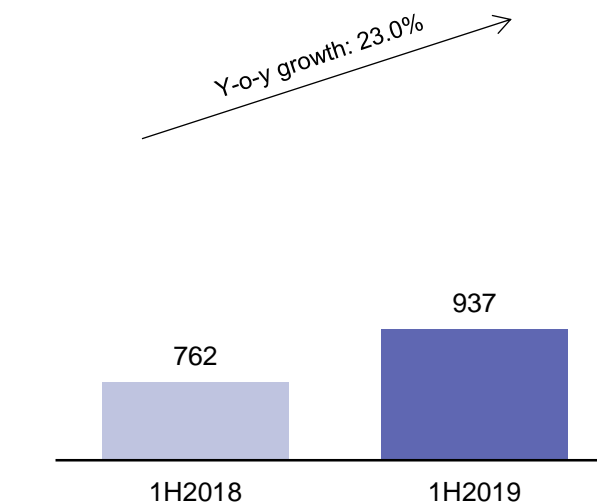
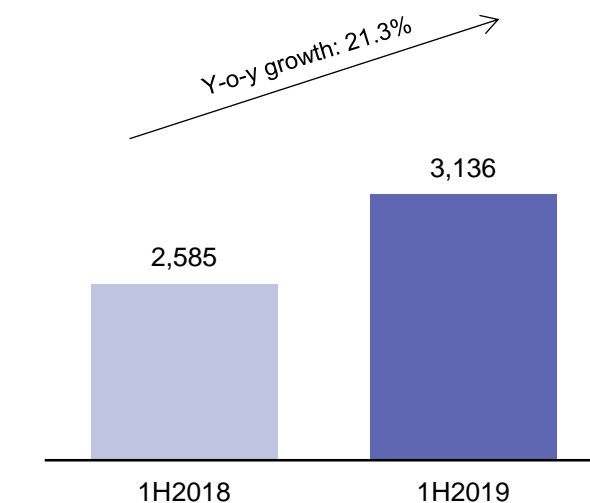
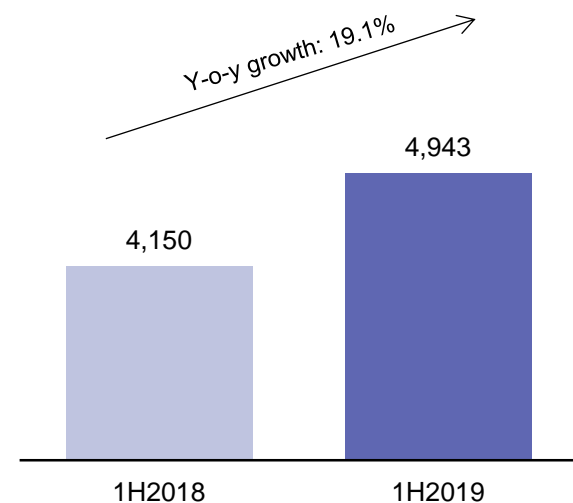
## Revenue



## Gross profit<sup>1</sup>



## Net profit attributable to owners of the Company<sup>1</sup>



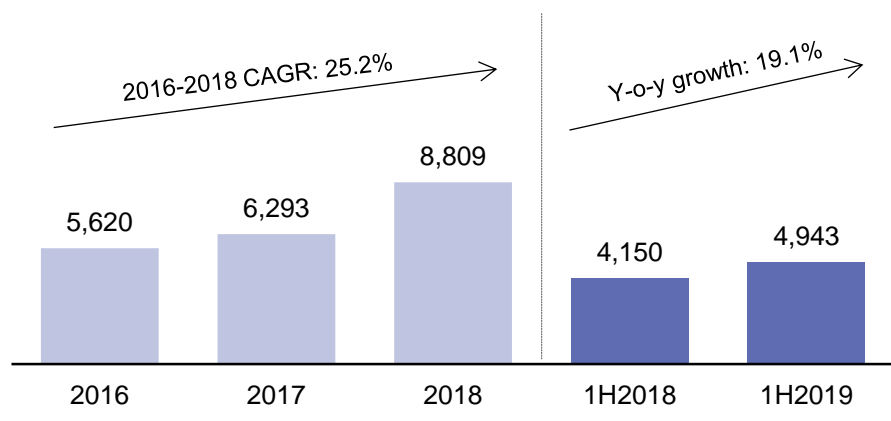
RMBm	1H2018	1H2019	Growth (%)
<b>Revenue</b>	<b>4,150</b>	<b>4,943</b>	<b>19.1%</b>

RMBm	1H2018	1H2019	Growth (%)
<b>Gross profit</b>	<b>2,585</b>	<b>3,136</b>	<b>21.3%</b>
<b>Margin (%)</b>	<b>62.3%</b>	<b>63.4%</b>	<b>+1.1ppts</b>

RMBm	1H2018	1H2019	Growth (%)
<b>Net profit</b>	<b>762</b>	<b>937</b>	<b>23.0%</b>
<b>Margin (%)</b>	<b>18.9%</b>	<b>19.7%</b>	<b>+0.8ppts</b>

# Key Financial Figures

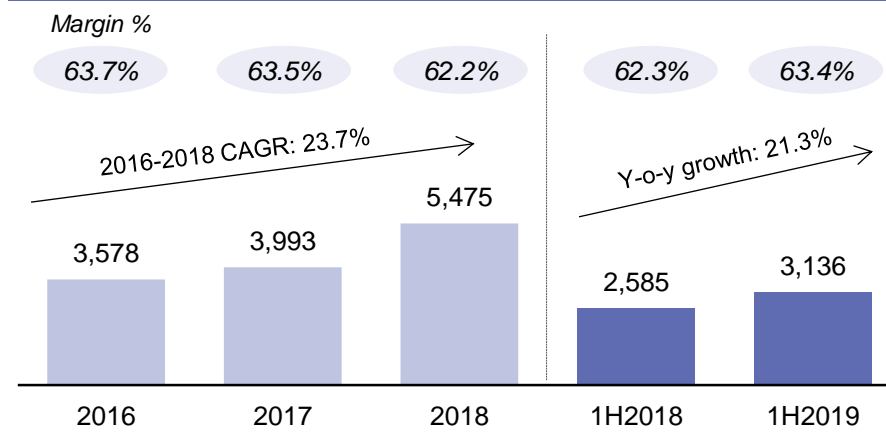
## Revenue (RMB million)



Restated after the deconsolidation of Weigao Blood Purification

Consolidation of Argon

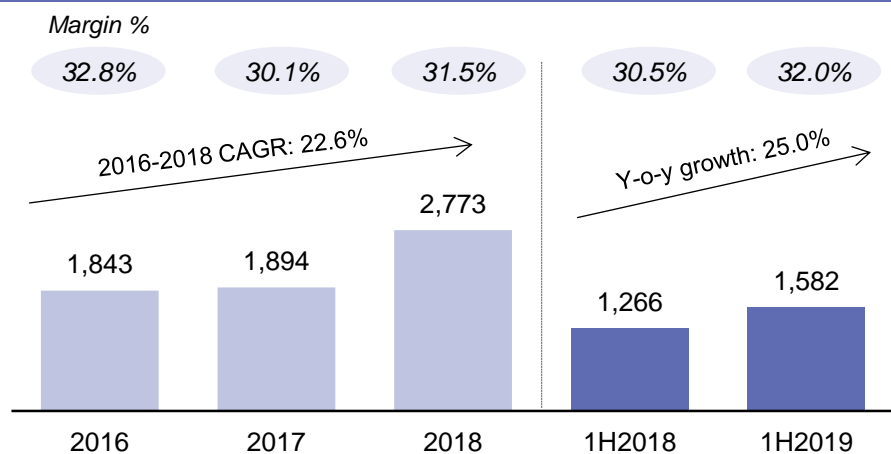
## Gross profit<sup>1</sup> (RMB million)



Restated after the deconsolidation of Weigao Blood Purification

Consolidation of Argon

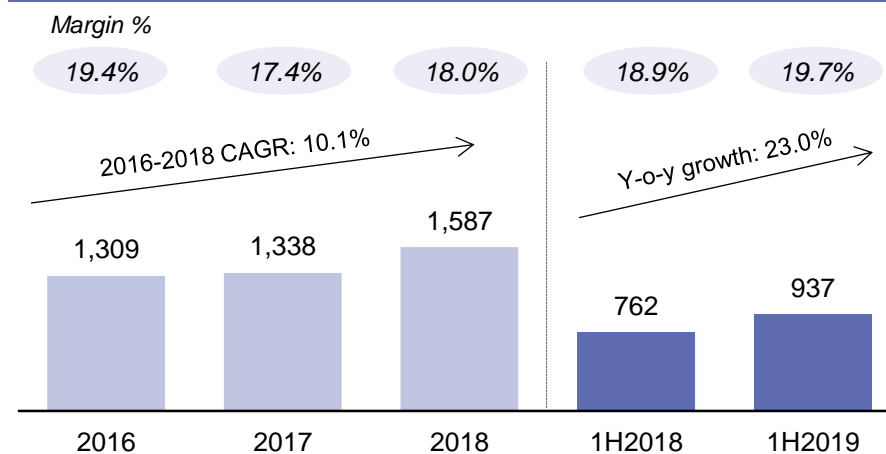
## EBITDA<sup>1</sup> (RMB million)



Restated after the deconsolidation of Weigao Blood Purification

Consolidation of Argon

## Net profit attributable to owners of the Company<sup>1,2</sup> (RMB million)



Restated after the deconsolidation of Weigao Blood Purification

Consolidation of Argon

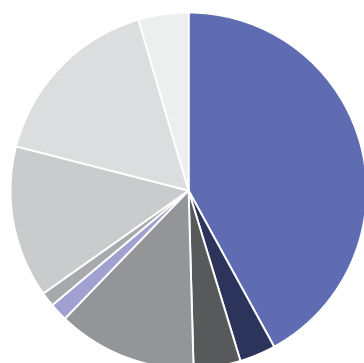
Notes:

- Adjusted for extraordinary items in 1H2018 / 2018 including fair value appreciation of Argon's inventory and an one-off transaction expense associated with the acquisition of Argon
- Adjusted for one-off gains in the disposal of partial interests in Weigao Blood Purification in 2017 and non-cash share based payment expenses in 2016

# Revenue Breakdown By Products

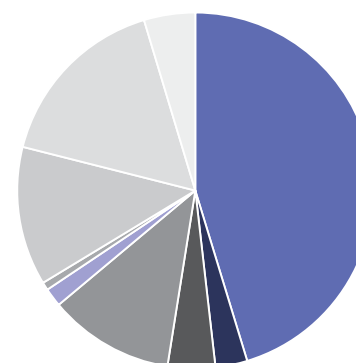
## Revenue Breakdown

1H2019



	% of sales
Clinical Care	42.0%
Wound Management	3.3%
Blood Management	4.2%
Pharma Packaging	12.7%
Medical Testing	1.7%
Anesthesia and Surgery	1.3%
Orthopaedic Products	13.8%
Interventional Products	16.5%
Other Consumables	4.5%

1H2018



	% of sales
Clinical Care	45.3%
Wound Management	2.9%
Blood Management	4.3%
Pharma Packaging	11.4%
Medical Testing	1.7%
Anesthesia and Surgery	0.7%
Orthopaedic Products	12.6%
Interventional Products	16.4%
Other Consumables	4.7%

### Segmental revenues (RMBm)

### % of revenues

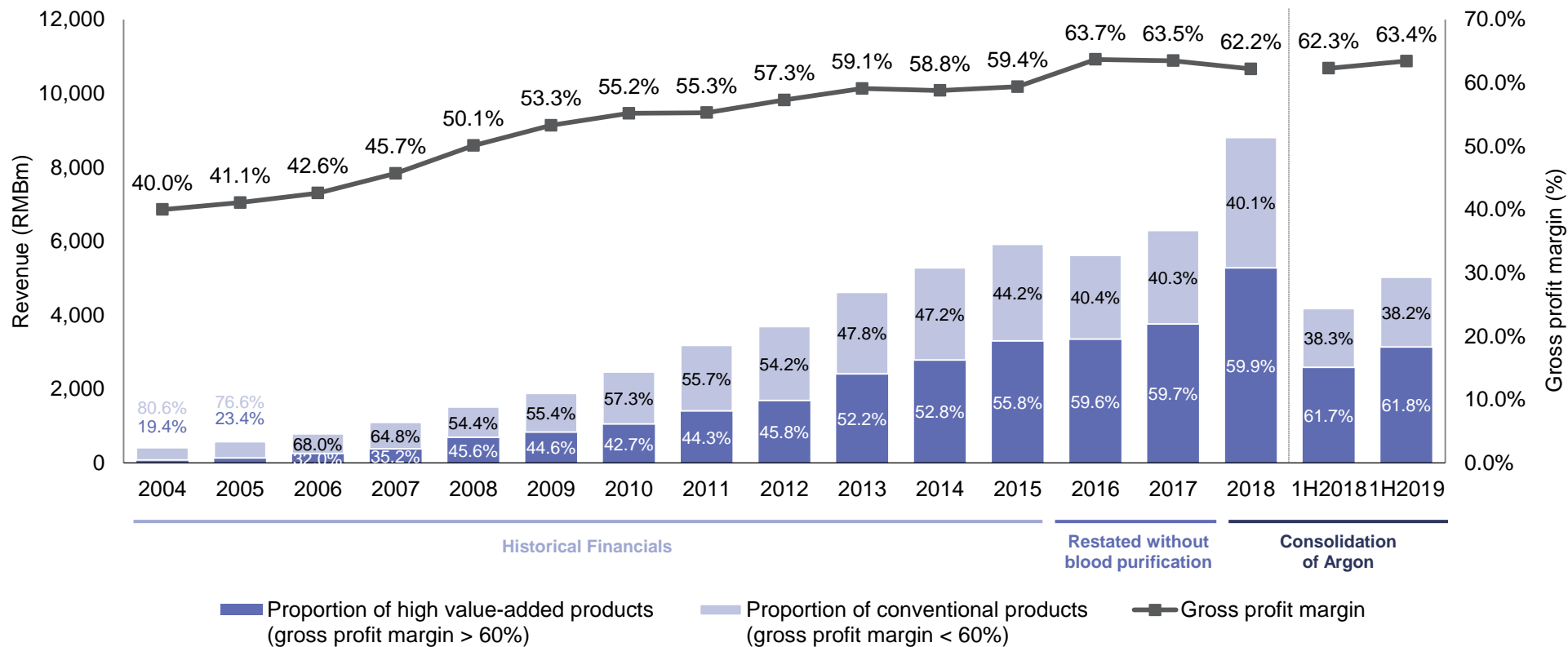
	1H2019	1H2018	% Change	1H2019	1H2018
Clinical Care	2,077	1,880	10.5%	42.0%	45.3%
Wound Management	162	120	34.8%	3.3%	2.9%
Blood Management	210	179	17.2%	4.2%	4.3%
Pharma Packaging	626	473	32.3%	12.7%	11.4%
Medical Testing	82	70	16.4%	1.7%	1.7%
Anesthesia and Surgery	65	30	117.0%	1.3%	0.7%
Orthopaedic Products	682	524	30.3%	13.8%	12.6%
Interventional Products	814	681	19.6%	16.5%	16.4%
Other Consumables	225	193	16.5%	4.5%	4.7%
<b>Total</b>	<b>4,943</b>	<b>4,150</b>	<b>19.1%</b>	<b>100.0%</b>	<b>100.0%</b>

# A Track Record of Sustainable and Steady Growth

## Turnover and margin evolution since IPO

Since our IPO in 2004, we have continued to optimize our product mix and develop higher value-add products, which has allowed us to consistently expand our margin profile while growing our business over the years

## Proportion of high-value added products and gross profit margins

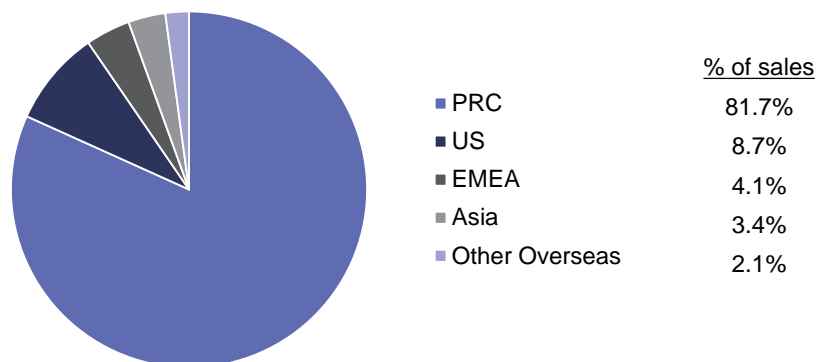




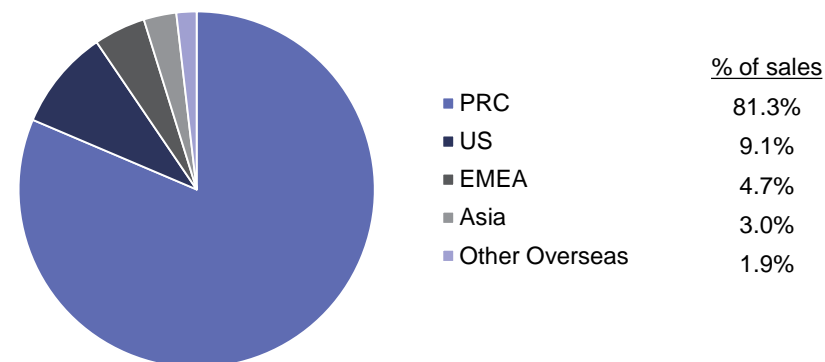
# Geographic Information

## Geographic breakdown

1H2019



1H2018



### Segmental revenues (RMBm)

### % of revenues

		Segmental revenues (RMBm)			% of revenues	
		1H2019	1H2018	% Change	1H2019	1H2018
China	East and Central China	1,959	1,570	24.7%	39.6%	37.8%
	North China	906	772	17.4%	18.3%	18.6%
	Northeast	412	374	10.0%	8.3%	9.0%
	South China	316	270	17.0%	6.4%	6.5%
	Southwest	339	288	17.9%	6.9%	6.9%
	Northwest	109	104	4.7%	2.2%	2.5%
	<b>China Subtotal</b>	<b>4,041</b>	<b>3,378</b>	<b>19.6%</b>	<b>81.7%</b>	<b>81.3%</b>
Overseas	US	429	378	13.5%	8.7%	9.1%
	EMEA	201	195	2.9%	4.1%	4.7%
	Other Asia	167	123	36.2%	3.4%	3.0%
	Others	105	76	38.0%	2.1%	1.9%
		<b>Overseas Subtotal</b>	<b>902</b>	<b>772</b>	<b>16.8%</b>	<b>18.3%</b>
	<b>Total</b>	<b>4,943</b>	<b>4,150</b>	<b>19.1%</b>	<b>100.0%</b>	<b>100.0%</b>

# Other Financial Figures

## Other financial figures

		1H2019	1H2018
Working capital	Inventory turnover (days) <sup>1</sup>	114 days	111 days
	Accounts receivable (days) <sup>1</sup>	133 days	145 days
	Accounts payable (days) <sup>1</sup>	67 days	74 days
Leverage	Debt / LTM EBITDA (x)	1.8x	2.2x
	Net debt / LTM EBITDA (x)	0.6x	0.9x
	Interest coverage ratio (x)	10.8x	11.3x
	Gearing ratio <sup>2</sup> (%)	36.0%	35.9%
Ratio and returns analysis	Current ratio	2.8x	2.9x
	Return on equity (ROE)	11.8%	11.4%
	Return on assets (ROA)	7.2%	7.8%
Dividend	Interim dividend (RMB/share)	5.9 cents	4.9 cents

Notes:

1. Represents average working capital days
2. Gearing ratio is calculated as total debt as a percentage of total capital



Section 2

# Operational Highlights

# Overview of Argon's Performance



*As Weigao's core overseas platform, Argon has been an important part of Weigao's growth since the acquisition, aiding Weigao in diversifying in both geography and product mix*

*In addition, Argon has capitalized on the growth opportunity in China in 1H2019, recording strong results over the first 6 months of the year, with more visible growth potential on the horizon*

*Continued initiatives across Weigao and Argon are currently underway; we believe the collaboration between Weigao and Argon will continue to be a key growth catalyst for both companies in the coming years*

## Key highlights



**19%**

revenue growth y-o-y



**CONTINUED PROGRESS**

by Argon China



**17**

products registered in China



**Financial Performance**

- Continued to record positive growth in 1H2019, with revenues and EBITDA growing 19% and 10% y-o-y respectively
- Marquee products continued to maintain top market positions in the US, alongside consistent growth across the globe



**Argon China**

- Pinpointed as an area of focus going forward – plan to leverage Weigao's network and expertise to rapidly expand in the market
- In 1H2019, Argon China has continued to make significant progress in establishing its local infrastructure, paving the way for rapid growth in the near future



**Future Strategy**

- Capitalizing on the China opportunity to expand Argon in both scope and scale
- Continuous development of new products to supplement the existing portfolio

# Nationwide Sales Network

## Distribution Network in China

We have established an extensive sales network comprising of 36 sales offices, 29 customer service centers and 2,554 sales representatives across 237 cities in China



## Number of existing clients in China and corresponding coverage ratios (as of 30 June 2019)

	# covered	Total # in China	Coverage ratio
Grade III hospitals	1,251	2,608	48.0%
Grade II hospitals	1,173	9,172	12.8%
Distributors	1,806	–	–

## Distribution network abroad

Our distribution network was significantly boosted with the acquisition of Argon, and has expanded to over 75 countries globally

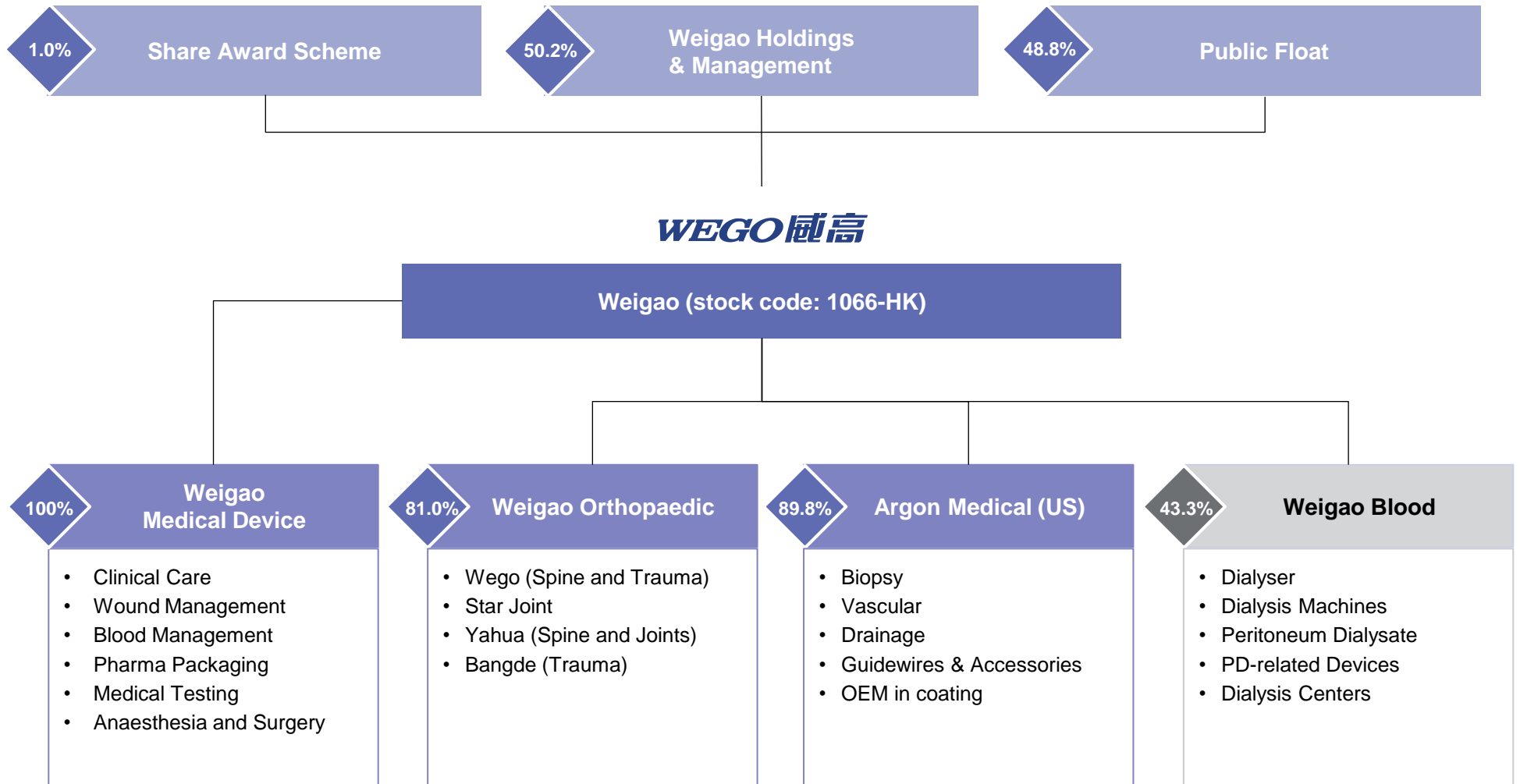
- Weigao exports its products overseas to 75 countries and regions including the US, EU, Russia, South Africa and Brazil
- Argon, acquired in 2018, has a highly professional sales team based in US

# Product Portfolio

## Product Development

	Number of products as of 30 June 2019	
	China	Overseas
With product registration certificates	482	756
Under application for product registration certificates	17	36
Patented products	480	161
Under patented application	111	19

# Corporate Structure





Section 3

# Strategic Outlook



# Corporate Milestones

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- Weigao was founded, with its business focusing on manufacturing disposable medical consumables

- Established its orthopaedic business

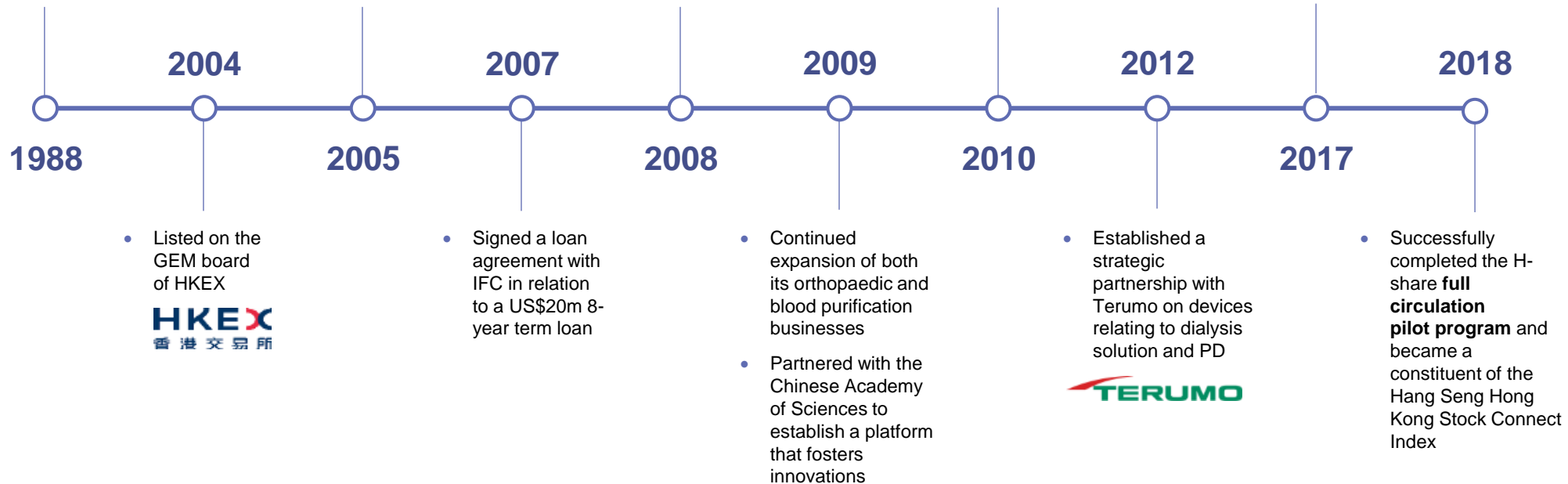
- Entered the hemodialysis industry by introducing dialyser products

**NIKKISO**

- Weigao transferred from the GEM to the main board of HKEX
- Established a JV with Nikkiso to produce hemodialysis devices

**ARGON**  
MEDICAL DEVICES

- Announced the acquisition of Argon, a leading intervention device manufacturer in the US



Source: Public information

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# Management Vision

## Market Positioning

- To continue maintaining our position as the **pre-eminent player in the Chinese medical devices industry** with a view to grow into one of the world's leading medtech players
- **To continue to be the solutions provider and innovator of choice** for customers within our 3 core segments (consumables, orthopaedics and interventional products)

## Innovation Strategy

- Continuous **optimization of product mix** through product upgrades, innovation and import substitution
- Continuous upgrades in manufacturing facilities, automation and engineering technologies to ensure we produce the **best-in-class products** for our customers
- Keeping our pulse on the latest cutting-edge technology worldwide through our **global R&D hubs**

## Product Vision

- Focusing on developing products within our 8+3 strategy, (8 product lines + 3 core business segments), where **market size is large and untapped potential remains immense**
- Continuous evolution to produce higher-technology products year over year, where margins are more robust and barriers to entry are high
- Maintaining our pristine **operational safety** record and continuing to be our customer's most trusted solutions provider



As the nation's leading medtech company since our founding in 1988, Weigao strives to continue to be the most trusted leading solutions provider in the PRC medical devices industry

# Growth Initiatives

## Growth Strategies

In addition to natural growth from the expansion of the Chinese medical industry, Weigao has plans to further accelerate its growth through a variety of initiatives ranging from product upgrades and diversification to opportunistic acquisitions





Appendix

# Historical Reconciliation of Net Profit

# Historical Reconciliation of Net Profit

	6 months ended 30 Jun 2019 RMB'000	6 months ended 30 Jun 2018 RMB'000	Change (%)
Profit for the Year	972,582	661,068	47.1%
Less: Non-controlling interest	(35,487)	(11,008)	222.4%
<b>Profit for the year attributable to owners of the Company</b>	<b>937,095</b>	<b>650,060</b>	<b>44.2%</b>
Add: Argon acquisition expenses		36,323	
Add: Increase in COGS as a result of Argon inventory revaluation		75,707	
<b>Net profit excluding extraordinary items</b>	<b>937,095</b>	<b>762,090</b>	<b>23.0%</b>

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